

MINUTES

OF THE

NATURAL RESOURCE COMMISSION

TELEPHONE MEETING

JUNE 28, 2007

WALLACE STATE OFFICE BUILDING
DES MOINES, IOWA

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MEETING MINUTES

CALL TO ORDER

The telephone meeting of the Natural Resource Commission was called to order by Chairperson Elizabeth Garst at 8:30 a.m. on Thursday, June 28, 2007 at the Wallace State Office Building, Des Moines, Iowa.

MEMBERS PRESENT

Elizabeth Garst
Kim Francisco
Lennis Moore
Janelle Rettig
Greg Drees
Bill Bird

MEMBERS ABSENT

Carol Kramer

APPROVE AGENDA

Suggestion was made to modify the agenda by deferring the Honey Creek Resort State Park items until the end of the agenda.

Motion was made by Commissioner Rettig to approve the June 28, 2007 agenda as amended with the suggested modifications. Seconded by Commissioner Francisco. Motion carried by unanimous vote of those present.

AGENDA APPROVED

CONSTRUCTION PROJECTS

Linda Hanson, Administrator, Management Services Division, presented the following item.

Crystal Lake, Hancock Co. – Hydraulic Dredging

This project consists of the hydraulic dredging of Crystal Lake; removal, replacement and extension of an existing aeration system, and incidental work as required by the Plans and the DNR Construction Inspector. Project is budgeted 100% in Lake and Stream Restoration funds (see Capital Link #96). DNR estimate is \$3,100,000. Natural Resources Commission awarded a contract of \$2,824,000 to L. W. Matteson, Inc., low bidder, at April 12, 2006 meeting.

Approval of a Change Order is requested to increase the \$2,824,000 dollar contract for dredging at Crystal Lake by \$426,000 to allow for removal of an additional 200,000 cubic yards of material from the lake. This additional work will further enhance the water quality benefits by providing an increase in the average water depth, thereby further reducing re-suspension of phosphorus and algae blooms. The lake restoration project when completed will negate the necessity of maintaining an under ice lake aeration system.

Lake Restoration funds will be used to fund this increased work. Some components of projected work at other project locations in the FY08 capital plan will not be completed as scheduled.

Staff recommends approval of Change Order to the contract with L. W. Matteson, Inc. to increase the amount of contract by an additional \$426,000.

Motion was made by Commissioner Francisco to approve a change order to the contract with L. W. Matteson, Inc. to increase the amount of contract by an additional \$426,000. Seconded by Commissioner Moore. Motion carried by unanimous vote of those present.

CONSTRUCTION CHANGE ORDER APPROVED

Bids were opened June 21, 2007 for the following projects:

Ventura Marsh WMA, Cerro Gordo County – Office and Service Building

This project consists of the construction of a 3,800 square foot office and service building as shown on the drawings. The building is metal skinned, insulated concrete formed (ICF) and includes an outside porch/entrance, three (3) maintenance bays with overhead doors, two (2) offices, a meeting/project room and a restroom. This project also includes underfloor, radiant geothermal heating and forced air cooling and incidental work as required by the Plans and the DNR Construction Inspector. Project is budgeted 100% in Fish and Wildlife Trust fund. DNR estimate is \$560,000 (see Capital Link #41). Twenty-five sets of Plans were issued. Five bids were received.

Mad-Gaard Construction	Northwood, IA	\$505,168.00
Leading Edge Development Services, Inc.	Lake Mills, IA	\$524,265.00
Henkel Construction Company, Inc.	Mason City, IA	\$538,250.00
Holland Contracting Corp.	Forest City, IA	\$549,510.00
Lewis Contracting Co., Inc.	Red Oak, IA	\$657,313.10

Staff recommends award of a contract to Mad-Gaard Construction, low bidder.

Motion was made by Commissioner Bird to approve the low bid of Mad-Gaard Construction of Northwood, Iowa in the amount of \$505,168.00 for construction of a office and service building at Ventura Marsh WMA in Cerro Gordo County. Seconded by Commissioner Moore.

Commissioner Rettig noted that the project includes geothermal heating and cooling and she said she wants to encourage that for all projects.

Motion carried by unanimous vote of those present.

CONSTRUCTION PROJECT APPROVED

Ventura Marsh WMA, Cerro Gordo County – Storage Building

This project consists of the construction of a 40- by 100- foot pre-engineered, post-framed, metal-skinned storage building and incidental work as required by the Plans and the DNR Construction Inspector. Project is budgeted 100% in Fish and Wildlife Trust Fund. DNR estimate is \$120,000 (see Capital Link #41). Eighteen sets of Plans were issued. Three bids were received.

Leading Edge Development Services, Inc.	Lake Mills, IA	\$124,172.00
Mad-Gaard Construction	Northwood, IA	\$130,200.00
Larry Elwood Construction, Inc.	Mason City, IA	\$137,492.00

Staff recommends award of a contract to Leading Edge Development Services, Inc., low bidder.

Motion was made by Commissioner Moore to approve the low bid of Leading Edge Development Services, Inc. of Lake Mills, Iowa, in the amount of \$124,172.00 for a storage building at Ventura Marsh WMA in Cerro Gordo County. Seconded by Commissioner Bird.

Commissioner Garst asked why an earlier recommendation had been to reject the bid but with this later edition of the agenda item, the recommendation is to approve the low bid.

Linda Hanson related that it was determined that this was a much needed project that needed to be completed as soon as possible. When the project manager returned to the office following the bid letting, he located other funding that could be moved from another source into funding this project.

Motion carried by unanimous vote of those present.

CONSTRUCTION PROJECT APPROVED

Bids were opened June 26, 2007 for the following projects:

Swan Lake State Park, Carroll County – HMA Paving

This project consists of HMA resurfacing using cold-in-place recycling of roadways within the park, and incidental work as required by the Plans and the DNR Construction Inspector. Project is budgeted 100 % in Parks and Institutional Roads Fund. DNR estimate is \$600,000 (see Capital Link #80). Eight sets of Plans were issued. Two bids were received.

Henningsen Construction, Inc.	Council Bluffs, IA	\$ 488,469.44
Tri-State Paving Company	Estherville, IA	\$ 525,896.62

Staff recommends award of a contract to Henningsen Construction, Inc., low bidder.

Motion was made by Commissioner Rettig to approve the low bid of Henningsen Construction, Inc. of Council Bluffs, Iowa, in the amount of \$488,469.44 for HMA paving at Swan Lake State Park in Carroll County. Seconded by Commissioner Francisco. Motion carried by unanimous vote of those present.

CONSTRUCTION PROJECT APPROVED

Silver Lake, Delaware County – Dam Repair

This project consists of the reconstruction of driving sheet piles to stop water movement through the dam at Silver Lake in Delhi, Iowa. It also includes repair of the outlet structure and clearing and grubbing and incidental work as required by the Plans and the DNR Construction Inspector. Project is budgeted 100% in Lake Restoration Fund. DNR estimate is \$311,000 (see Capital Link #52). Fifteen sets of Plans were issued. Five bids were received.

Jim Schroeder Construction, Inc.	Bellevue, IA	\$ 314,950.00
Blazek Corporation	Lawler, IA	\$ 339,900.00
Peterson Contractors, Inc.	Reinbeck, IA	\$ 351,842.50
Taylor Construction, Inc.	New Vienna, IA	\$ 357,900.00
United Contractors, Inc.	Johnston, IA	\$ 414,975.00

Staff recommends award of a contract to Jim Schroeder Construction, Inc., low bidder.

Motion was made by Commissioner Francisco to approve the low bid of Jim Schroeder Construction, Inc. of Bellevue, Iowa, in the amount of \$314,950.00 for dam repair at Silver Lake in Delaware County. Seconded by Commissioner Moore. Motion carried by unanimous vote of those present.

CONSTRUCTION PROJECT APPROVED

Maquoketa Caves State Park, Jackson County – HMA Paving

This project consists of the construction of roadway and HMA paving, PCC curb and gutter, and incidental work as required by the Plans and the DNR Construction Inspector. Project is budgeted in Parks and Institution Road Fund. DNR estimate is \$100,000 (see Capital Link #76). Four sets of Plans were issued. One bid was received.

Tschiggfrie Excavating Co.	Dubuque, IA	\$ 97,036.00
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Staff recommends award of a contract to Tschiggfrie Excavating Company, sole bidder.

Motion was made by Commissioner Drees to approve the bid of Tschiggfrie Excavating Co. of Dubuque, Iowa, in the amount of \$97,036.00 for HMA paving at Maquoketa Caves State Park in Jackson County. Seconded by Commissioner Francisco. Motion carried by unanimous vote of those present.

CONSTRUCTION PROJECT APPROVED

Hawkeye Wildlife Management Area, Johnson County – Boat Ramps and Access

This project consists of the construction of PCC paving of two boat ramps on the Iowa River, and construction of an access roadway and parking lot and incidental work as required by the Plans and the DNR Construction Inspector. Project is budgeted 100% in Marine Fuel Tax Fund. DNR estimate is \$65,000 (see Capital Link #110). Fourteen sets of Plans were issued. Three bids were received.

Connolly Construction, Inc.	Peosta, IA	\$ 71,075.60
Vieth Construction Corp.	Cedar Falls, IA	\$ 86,691.25
MBA Concrete, Inc.	Iowa City, IA	\$106,054.00

Staff recommends award of a contract to Connolly Construction, Inc. low bidder.

Motion was made by Commissioner Rettig to approve the low bid of Connolly Construction, Inc. of Peosta, Iowa, in the amount of \$71,075.60. Seconded by Commissioner Francisco. Motion carried by unanimous vote of those present.

CONSTRUCTION PROJECT APPROVED

Lake Macbride State Park, Johnson County – Campground Electric & Water Upgrade

This project consists of grading and granular surfacing for camp pads and installation of sewer and water lines, electrical hookups, and incidental work as required by the Drawings and the DNR Construction Inspector. Project is budgeted in REAP and LAWCON funds. DNR estimate is \$380,000 (see Capital Link #138 and #139). Thirty-three sets of Plans were issued. Four bids were received.

E & J Electric, Inc.	Solon, IA	\$ 309,067.83
Bockenstedt Excavating, Inc.	Iowa City, IA	\$ 375,987.60
JJJ Enterprises, Inc.	Lowden, IA	\$ 376,408.31
M-Z Construction, Inc.	Linden, WI	\$ 442,670.70

Staff recommends award of a contract to E & J Electric, Inc., low bidder.

Motion was made by Commissioner Moore to approve the low bid of E & J Electric, Inc. of Solon, Iowa, in the amount of \$309,067.83 for campground electric and water system upgrade at

Lake Macbride State Park in Johnson County, contingent upon the department the receipt of appropriate documentation. If the required federal form is not received, the project will be awarded to the second lowest bidder. Seconded by Commissioner Bird. Motion carried by unanimous vote of those present.

CONSTRUCTION PROJECT APPROVED

Lake of Three Fires State Park, Taylor County – Wetland Construction

This project consists of wetlands on Simmons Tract above Lake of Three Fires State Park and incidental work as required by the Plans and the DNR Construction Inspector. Project is budgeted 75% in Federal 319 funds and 25% in Lake Restoration funds. DNR estimate is \$164,000 (see Capital Link #101). Ten sets of Plans were issued. Three bids were received.

Schaefer Excavating, Inc.	Mt Ayr, IA	\$ 94,876.89
Norris Excavating, Inc.	Bedford, IA	\$102,684.77
Seaton Construction	Deep River, IA	\$123,784.70

Staff recommends award of a contract to Schaefer Excavating, Inc., low bidder.

Motion was made by Commissioner Francisco to approve the low bid of Schaefer Excavating, Inc. of Mt. Ayr, Iowa, in the amount of \$94,876.89 for wetland construction at Lake of Three Fires State Park in Taylor County. Seconded by Commissioner Drees. Motion carried by unanimous vote of those present.

CONSTRUCTION PROJECT APPROVED

Lake Darling State Park, Washington County – Four Seasons Lodge

This project consists of the construction of a modern rustic lodge building approximately 4,435 square foot, one story, wood frame without basement, with log-style siding, aluminum storefront doors and transoms, cultured stone accents, concrete sidewalk and raised seams metal roofing, as shown on the drawings. The building also includes the design and construction of underfloor radiant, geothermal heating and forced air cooling throughout. The work also includes the installation of metal-clad windows provided by the Owner and incidental work as required by the Plans and the DNR Construction Inspector. Project is budgeted \$250,000 from Friends of Lake Darling and the remainder from Lake Darling Special Appropriation Fund. DNR estimate is \$820,000 (see Capital Link #174). Forty-five sets of Plans were issued. Four bids were received.

Legacy Construction, Inc.	Pella, IA	\$ 614,885.70
Bi-State Contracting, Inc.	Burlington, IA	\$ 643,515.63
Grooms & Co. Construction, Inc.	Ottumwa, IA	\$ 740,577.85
Regal Construction Services, Inc.	Iowa City, IA	\$ 781,079.95

Staff recommends award of a contract to Legacy Construction, Inc., low bidder.

Basil Nimry presented the Lake Darling State Park construction item. He reviewed the item and specifically noted the public-private partnership in the funding for the project.

Motion was made by Commissioner Bird to approve the low bid of Legacy Construction, Inc. of Pella, Iowa, in the amount of \$614,885.70 for lodge construction at Lake Darling State Park in Washington County. Seconded by Commissioner Rettig. Motion carried by unanimous vote of those present.

CONSTRUCTION PROJECT APPROVED

PARTNERSHIP AGREEMENT WITH NATIONAL WILD TURKEY FEDERATION

Ken Herring, Administrator, Conservation and Recreation Division, presented the following item.

The Commission is asked to approve a partnership agreement between the Iowa Department of Natural Resources (IDNR) and the National Wild Turkey Federation (NWTF). The purpose of this agreement is to:

- Further the cooperative relationship between NWTF and IDNR;
- Improve habitat and management of early succession dependent wildlife species;
- Further efforts to restore critical habitats (e.g.: native grasslands, savannas, and other forest ecotypes throughout the state);
- Enhance delivery of habitat restoration and management assistance to landowners.

This partnership agreement is for a three-year period at a cost of:

- \$25,000 per year to the IDNR -Wildlife Bureau;
- \$20,000 per year to the Iowa State Chapter of NWTF and
- \$45,000 per year to NWTF National.

Motion was made by Commissioner Francisco to approve a partnership agreement between the Iowa Department of Natural Resources (IDNR) and the National Wild Turkey Federation. Seconded by Commissioner Drees.

Commissioner Francisco disclosed that he is a member of the National Wild Turkey Federation but is not involved in any financial matters of the Federation.

Elizabeth Garst commented that public-private partnerships like this are terrific and allows us to extend our mission, thanks to the help of others. She commended staff.

Motion to approve the agreement carried by unanimous vote of those present.

AGREEMENT APPROVED

Linda Hanson introduced Terry Montgomery who was recently hired as manager of the Honey Creek Project.

Honey Creek Resort State Park, Appanoose County—Lodge Construction-Rebid

This project consists of construction of a 105 unit hotel with great room, aquatic center, restaurant/bar and conference center with total square footage of approximately 108,000 and incidental work as required by the Plans, the Construction Manager and the DNR Construction Inspector. Project is budgeted 100% in Honey Creek Resort Fund (see capital link item #171). DNR estimate is \$16,000,000. Seventy sets of Plans were issued. One bid was received

		<u>Total of Base Bid</u>
The Hansen Company, Inc.	Johnston, IA	\$19,140,000

Staff recommends award of contract with base bid and the selected alternate of an earlier completion date for total contract of \$ 19,340,000.00 to The Hansen Company, Inc., sole bidder.

Mr. Montgomery provided a summary of the current situation regarding the Honey Creek Project. He said that in the fall of 2006 the Natural Resource Commission committed to the construction of the Honey Creek Resort State Park as Iowa's first Destination Park. This involved state issued revenue bonds that require the construction of the destination state park and also require a payback over a 30 year period starting in June of 2009. In looking at the current revenue bonds and financing from our private partners in southern Iowa as well as other funds available, there are approximately \$40 million in available funds for this project at this time. However, project costs have now risen over the original projections even with some value engineering that took place earlier this spring. Mr. Montgomery said that if both bids presented today are accepted, along with the existing contracts for the golf course, and add the costs required to furnish the facilities for operations, as well as providing the other required support pieces such as sewers, roads, parking lots, it would cost us over \$45 million. At this time staff does not feel comfortable recommending a commitment of over \$45 million in expenses with only \$40 million currently in hand to cover expenses.

In looking at this challenge, Mr. Montgomery said staff developed a couple of guiding principles: 1) decided it was important to develop a plan to pay back the bonds; 2) decided that the best facility should be built with the available dollars to benefit the people of Iowa and showcase the state park system; 3) foster and build respect with our partners at the federal, state and local levels and meet their expectations. From those principles, numerous financial solutions were looked at including opening the lodge in the summer of 2008 and delaying the cabins to a later date and the other side, opening the cabins in the summer of 2008 and opening the lodge at a later date. Mr. Montgomery said that using the available funds it is felt that the best scenario for fully making payment on the bonds is to open the lodge, convention center, aquatic center, and restaurant as early as possible in the summer of 2008 and then plan to open the cabins after additional funding is secured in either late 2009 or early 2010. He said the DNR would immediately begin working with the project partners, including the Lake Rathbun Resort Nonprofit Organization in central and southern Iowa and the Army Corps of Engineers to not only fully fund the cabins but the other pieces of the project, including the RV campground, the

park shelters, the additional trails and the bridge that is to cross the park connecting the resort park to the existing state park.

Mr. Montgomery reviewed that the recommendation to the commission is to accept the bid of Hansen Company, Inc. of Johnston, Iowa for \$19,140,000 for the lodge, plus their \$200,000 incremental alternate to expedite the construction for mid summer 2008 completion. He also said the recommendation is that the commission rejects all bids for the cabins at this time. Montgomery also noted that this plan has been discussed with the Director of Management, the staff from the Treasurer's Office, as well as the Southern Iowa stakeholders and they have also agreed that this is the best course of action.

It was reported that the decision to recommend rejecting the cabin bids has been very difficult, particularly because of the low bidder. Montgomery noted that they have been an outstanding partner with the DNR over the years on very successful projects. He said with the acceptance of the bid for the lodge, construction could begin immediately and taking room reservation can begin very soon. In the summer of 2008, the Honey Creek State Park would open with a 105 room lodge, convention center, aquatic center, restaurant, lounge, 18 hole golf course, clubhouse, boat docks, hiking trails and bicycle trails, giving Iowa a destination state park.

Motion was made by Commissioner Francisco to accept the bid of Hansen Company, Inc. of Johnston, Iowa for \$19,140,000, plus their \$200,000 incremental alternate to expedite the construction of the lodge at Honey Creek Resort State Park for mid summer 2008 completion. Seconded by Commissioner Rettig.

Honey Creek Resort State Park, Appanoose County – Cabin Construction - Rebid

This project consists of construction of twenty-eight (28) cabins: individually constructed, and consisting of a series of one-bedroom units, two-bedroom units, four-bedroom units and four-bedroom retreat cabins, and incidental work as required by the Plans, the Construction Manager, and the DNR Construction Inspector. Project is budgeted 100% in Honey Creek Resort Fund (see capital link item #171). DNR estimate is \$4,500,000. Sixty-two sets of Plans were issued. Two bids were received.

		<u>Total of Base Bid</u>
Vieco Development & Construction, Co., Inc.	St. Joseph, MO	\$4,224,000
Grooms & Company Construction, Inc.	Ottumwa, IA	\$4,557,000

Staff recommends reject all bids and re-bid at a later date.

Motion was made by Commissioner Francisco to reject the bids for cabin construction at Honey Creek Resort State Park. Seconded by Commissioner Moore.

Paul Viestenz

Paul Viestenz, Vieco Development & Construction Company, Inc. of St. Joseph, Missouri, spoke in opposition to the rejection of the cabin bids for Honey Creek, saying it would be an injustice

to Vieco and to the Iowa taxpayers. He said their company has been involved in 22 different projects with the Iowa DNR over the last ten years. He added that they have had great working relationships with everybody across the state, the staff and architects in this building as well as field personnel and inspectors and in all of those projects they have used Iowa subcontractors, and used all Iowa materials as well as local labor.

Mr. Viestenz expressed their disappointment over the rejection of the first bids on the cabins but said a week later they were contacted by DNR staff asking them to work with DNR on ways to get the cost down for the project, which they did. He said when the plans came out for the rebid their views had been incorporated into those plans. In addition they were asked by the TSP architect as well as DNR staff to make sure that they bid on this project because of the lack of bidders. He said that even though they had already spent thousands of dollars, time and effort, they made the decision to bid a second time. Viestenz said when bids were let again they were notified they were not only low bid but also on budget and indications were the project would go forward. However, he said that even though they had been part of the process for three months, they received no contact from DNR until yesterday afternoon when they were notified of the department's intent to reject the bid of Vieco Construction for the cabin portion of the project. Viestenz said he questions how the general public of the state of Iowa and the taxpayers were going to think when the department is asking to approve a lodge that is over \$3 million over budget while the cabins, which are an integral part of the project financing are not over budget. Mr. Viestenz said this is not right, nor is it fair and what is at stake are the contracting policies of the DNR as well as the taxpayers of Iowa.

Ken Herring reviewed some back history of the Honey Creek project. He said that almost a year ago the NRC took action to go forward with this project. He reminded that Andy Anderson, the Counsel for the bond authority attended that NRC meeting where he asked for specific language that was needed in order for the bond authority to go forward with issuing bonds. Herring emphasized that the opportunity to stop this project was about a year and one half ago before going forward seeking authority of the bond authority. He said Terry Montgomery was hired because of his business understanding and ability to get into the very intricate part of cash flows, of paying back the bonds and getting the resort built and opened. He added that the dilemma of delayed openings costs us money, and added that the cabins are important and it is very unfortunate that there will be a delay in building the cabins. He expressed appreciation of the efforts of Vieco Construction to come and work with the DNR staff and said we feel badly about the situation, but this is a business decision.

Herring said staff is confident in its recommendation to the commission because the major components that will pull in cash to help start paying back the funds is the lodge, the conference center, the golf course and the aquatic center. He said both components of this project cannot legally be done.

Commissioner Garst stated that she came in early to talk with Terry Montgomery about the situation, which is we are short about \$5 million. She said it is highly unfortunate that this shortfall was not identified to the commission earlier, but commended staff for recognizing their lack of business experience and getting somebody hired. Garst added that the straight truth is we don't have enough money to complete this project as planned, but that we are on the way to

solving the problem. She said the only way to get more money is to first articulate the need which is the project is not viable and we will not pay back the revenue bonds unless the cabins are built. She added that we need to go with clear speaking not only to our partners in Rathbun, but we need to go to the Governor and the legislature to get this project finished.

Ken Herring responded that staff is already well on the road to having plans to fund this gap and he expressed confidence in the diligence of staff on the project. He said the estimates were provided by TSP, a company that was selected in a highly competitive environment. In addition, we also had expertise from folks hired by the Bond Authority who gave us their assurance that this was realistic.

Kelley Myers related that she has been meeting with the bond authority staff on an information basis to discuss this issue. She said there is a covenant in our indenture that requires us to have an open facility on a certain date, although it does give us some flexibility if we have “unavoidable delays”. She said it is our intention to build these cabins so that we are never in violation of that covenant in the indenture. Myers added that several different funding opportunities are being looked at right now. She also explained that that original commitment of the private partners is in place and they will be the driving force again as we go out for more money. She said this has always been a project driven with their match before the state ever put its money into the project. Montgomery further explained that additional funding would be from public and private sources at the state, local and even national level as well as partnering with the Lake Rathbun Resort Association.

Concern was expressed about there being only one bid. Ken Herring reviewed the enormous amount of outreach and marketing that was done by staff and TSP to encourage contractors to enter bids before this went to bid. Staff reported on the outreach they did in trying to generate interest from contractors.

Commissioner Rettig commented that she is disappointed that some of the geothermal elements were removed from the lodge construction because we should be setting higher standards on environmental quality. Rettig asked specific questions regarding the cash flow analysis from the original bond document and the cash flow analysis from yesterday. Those questions included: 1) How can you have 42% less rooms, yet more water park usage and only 8.3% less food and beverage and only 12.2% less golf course usage? 2) How can room expense be less when you are projecting the occupancy to be up 6%?; 3) How can food and beverage revenues be down 8.3% yet its expenses down 17.4%; and 4) How can golf revenue be down 12.2% yet expenses down 35%? Commissioner Rettig said that the original bonding document was rather optimistic that we would be at 52% occupancy in the first year. The new cash flow analysis, when you remove the cabins for one to two years would mean \$1.3 million of net income. She said she feels some of the assumptions are amazingly optimistic and perhaps questionable in how you can get that much efficiency of reducing costs by 35-36% in certain areas. In addition, when you get to the end of the new cash flow analysis a cash flow of \$240,000 of total expenses of \$3.7 million does not leave a lot of wiggle room. Rettig said she understands that we do not have the \$5 million but does not see how we can open the resort with 42% less rooms and make this work and retire the debt and have a cash flow. She added that she did not think going out and raising

from private donors and perhaps putting in cabins in two years is going to fix it and we will be in a whole lot of trouble before that happens.

Terry Montgomery briefly responded to each question and explained how he arrived at his figures in the more recent cash flow analysis. Suggestion was made that if commissioners want to get into this level of detail, arrangements can be made to meet with staff for a more detailed overview of the project.

Commissioner Bird stated that because he is a “new” commissioner, he did not hear much about this until yesterday afternoon and now we are talking over the phone to discuss \$24 million worth of projects and the whole Honey Creek Resort State Park project. He said he is disappointed about the situation with the cabins and expressed concern about our credibility. Bird commented that he knows from experience that cabins are very popular and they are a great source of income. He questioned being able to keep the hotel rooms full based on having a world class golf course. He asked if the aquatic center would be smaller than originally planned.

Ken Herring responded that the size of the aquatic center was reduced following the first bid in order to bring the project more on target with the budget, but it continues to meet the basic criteria of the bonding document. He said he understands the concerns because staff, which are working on and are familiar with the project, have expressed those same concerns and have asked those questions of Regency who will be the park managers.

Commissioner Drees said he concurs with the other concerns expressed and said he feels that delaying the construction of the cabins will cause cash flow problems. He also said that he has been studying a couple of Regency projects in the Iowa Great Lakes area and they are struggling terribly. Drees went on to say that he also feels there are some credibility issues to find out this morning that there is a \$5 million shortfall and to have treated the Vieco Company in this manner. He said he feels overwhelmed and would like more time on this issue.

Discussion continued regarding delaying a vote on these items today and perhaps holding a work session with commissioners in a few days. Explanations were given as to timeliness because of deadlines, legal contractual ramifications of a delay and contractor issues. Ken Herring also said that in order to meet the time frame of a July opening timing is important. He said we are beyond the point of return on this project.

Commissioner Garst reiterated the need to involve the people with the means to help us solve the problem in the decision. Commissioner Rettig expressed the importance of bringing in the Governor’s Office, the legislative leaders and the chairs of the appropriation and infrastructure committees and inform them of this, as well as the investors who have invested in the bonds.

Ken Herring explained that last week this financial information was presented to the Director of Management and prior to that we talked with the Budget Chief for the Executive Branch of Budget who works for the Governor and today we are meeting with the Treasurer of State who is one of the bond authority members. He said staff has done a good job of keeping everyone apprised of these bids. He stressed that what they want to see is this project done and the action that is before you is to move forward this project in the only manner available at this time.

Terry Montgomery explained that his projections show that the project is viable as long as the cabins are built as we said we would and open them mid year in 2009 or 2010. He said the important fact is whether his numbers are correct or whether his numbers are not correct, there is still a responsibility for a \$701,000 payment in June 2009, a \$1.4 million payment in the financial year 2009-2010, and a \$1.7 million bond payment the following year. He said this scenario reduces the risk to those bonds that we are responsible for, so even if his assumptions are off by \$200,000 in the first year and \$300,000 in the next year, that is a \$500,000 challenge rather than a \$2.1 million challenge. He reiterated that we do not have \$5 million to build the cabins and there is probably not a legal way to do that. Montgomery said it is best to quickly build the lodge without delay to try and capture as much of the summer business to make positive cash flow. He added that even if he is off by 30% this is the best cash flow solution towards either paying off the bonds or servicing the most of doing the best that we can with the money available. He stressed that mobilization of Hansen Company almost immediately is one of the best solutions to increase that cash flow.

Linda Hanson offered that the commissioners could come in and sit down with Terry Montgomery to go through the models and numbers. She expressed confidence in the work that Terry has done and noted his previous experience and credibility in terms of his being able to work through this financial situation.

Commissioner Garst offered that it is agreed amongst the commissioners that the project will not work without cabins and we don't have the money for cabins. She also said we need to involve the people who might give us money to make this project successful, so this is not just this commission's problem or this department's problem because of the moral faith on the revenue bonds, but it is a state of Iowa problem. Garst added the legislature and the Governor's office have to get involved because we are going to need more money. She suggested delaying for a few days and invite those partners that have the means to help us solve this problem in for a meeting. Garst cautioned against "pride of authorship" of the financial documents because there has not been enough time to polish it and there has not been time to study Commissioner Rettig's very studied comments on this subject. She suggested reviewing her comments and perhaps talk with her personally before reconvening to go over this in more details so that commissioners all have the chance to study the whole subject.

A proposal was made to delay a vote on these items until early next week.

Commissioner Moore commented that delaying these items does not make much difference in what is going to have to happen to move the project forward. He said he has full confidence in staff and said this should be voted on either up or down right now.

Commissioner Rettig said she does not feel the project is financially viable with the cabins not being built for two to three years based on the cash flow analysis. She said she could not vote today to spend \$19 million on the lodge. Rettig said her suggested delay of four days is to entirely and completely brief our partners on where we are and how we come to find ourselves with this project, so the delay is not necessarily about the inevitability of where we find ourselves, but it is to completely and fully brief everyone we can that is a partner in it.

Commissioner Francisco stated that it would be difficult to locate and assemble the right people for a meeting next week and that it probably would not make much difference in the vote either. Francisco called the question.

Liz Garst requested that staff commit to organizing a partners meeting, including the legislature and Governor as well as the Rathbun people as soon as possible for a real exploration of alternatives.

Roll call vote was as follows: Janelle Rettig—no; Kim Francisco—yes; Lennis Moore—yes; Bill Bird—nay; Greg Drees—yes; Elizabeth Garst—yes. Carol Kramer was absent. Motion carried on a 4-2 vote to approve the bid for the lodge at Honey Creek Resort State Park.

CONSTRUCTION PROJECT APPROVED

Roll call vote to reject the bids for the cabins at Honey Creek Resort State Parks were as follows: Lennis Moore—aye; Kim Francisco—aye; Bill Bird—nay; Greg Drees—aye; Janelle Rettig—no; Liz Garst—aye. Carol Kramer was absent. Motion carried on a 4-2 vote.

CONSTRUCTION BIDS REJECTED

HONEY CREEK HOTEL MANAGEMENT INTERIM AGREEMENT

Ken Herring, Administrator, Conservation and Recreation Division, presented the following item.

The Natural Resources Commission's approval is requested to extend and amend an interim hotel management agreement with Regency Hotel Management, LLC (Regency) to perform some pre-opening services for the Honey Creek Resort State Park (Park) development. The amended agreement would authorize Regency to provide some preliminary marketing, sales, and management services until it and the DNR execute a comprehensive agreement for the complete management of the Park. The DNR proposes to cap the costs for the interim agreement at no more than \$75,000 and to limit the duration to not past August 31, 2007.

The DNR has been working with Regency to develop the construction component of the Park pursuant to a construction management agreement the DNR executed with Regency in July 2006. Regency's role has expanded to start providing hotel marketing and early-advance sales. DNR and Regency are currently negotiating a comprehensive hotel management agreement that is very complex and requires review and approval outside the DNR. In addition, some new issues, including a franchising agreement, have taken considerable time and attention to review.

In April, DNR executed an agreement, with the Commission's approval, in the amount of \$50,000 to compensate Regency during this negotiation; this amended contract would supplant that original agreement and include in the \$75,000 figure the \$50,000 already contemplated by

the first agreement. The DNR feels that this interim contract will provide both additional time for more thorough negotiations, and compensation for Regency for services it is providing. This interim agreement will terminate upon execution of the comprehensive hotel management agreement.

Funding for this amended contract will come solely from the legislative appropriations dedicated to the Park. Any agreement that draws funds from the bond proceeds must be approved by bond counsel to the Honey Creek Premiere Destination Park Bond Authority, and as this amended contract has not been reviewed by bond counsel, the DNR will not use bond proceeds to pay for services provided pursuant to this amended agreement.

Motion was made by Commissioner Francisco to extend and amend an interim hotel management agreement with Regency Hotel Management, LLC (Regency) to perform some pre-opening services for the Honey Creek Resort State Park (Park) development. Seconded by Commissioner Moore.

Kelley Myers explained that negotiations of the management agreement are continuing. She said some very complex franchise agreements that are being reviewed with the bond counsel for the IRS tax implications and also to see if it is a good business deal. Myers said this interim agreement will allow time for Terry Montgomery to weigh in on some of the components.

Motion carried by unanimous vote of those present.

INTERIM AGREEMENT APPROVED

GENERAL DISCUSSION

Commissioner Francisco thanked everyone for their hard work and good discussions.

Ken Herring echoed his appreciation for everyone's thoughts, input and diligence. He noted that Terry will be calling each commissioner to talk about a time that he can give them all the information. He added that Arnie Sohn is also available to answer questions. Herring said he would get our staff together to get commissioners "up to speed" and to help them with some of their concerns and would get together with our partners as well.

NEXT MEETING DATES

The next meeting will be held in Sioux City on August 9, 2007.

ADJOURNMENT

The June 28, 2007 Natural Resource Commission meeting was adjourned.

Richard A. Leopold, Director

Elizabeth Garst, Chairperson

Carol Kramer, Secretary

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